

# Spartanburg Community College

## *Independent Auditors' Report*

*Financial Statements and Schedules for the Year Ended June 30, 2015*



CENTRAL CAMPUS



TYGER RIVER CAMPUS



CHEROKEE COUNTY CAMPUS



SCC DOWNTOWN CAMPUS



UNION COUNTY ADVANCED TECHNOLOGY CENTER

# SPARTANBURG COMMUNITY COLLEGE

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## **SPARTANBURG COMMUNITY COLLEGE**

Commission Members, Officers, Key Staff, and Areas Served by the College  
Audit Period July 1, 2014 – June 30, 2015

### AREA COMMISSION

	<u>School District Represented</u>	<u>Term Expires</u>	<u>Office Held</u>
Ms. Tracey G. Hill	School District 1	04/27/17	
Mr. Eugene S. (Sonny) Anderson	School District 2	05/23/17	
Mr. Tracy W. Keller	School District 3	04/27/16	Secretary
Mr. F. Gary Towery	School District 4	04/27/17	
Mr. William Bruce Johnson	School District 5	04/27/16	
Mr. William G. Sarratt	School District 6	04/27/17	Vice Chairman
Mr. Anthony D. Bell	School District 7	04/27/16	
Mr. James M. Folk	School District 6	11/15/17	(Member-at-Large)
Ms. Kimberly A. Fowler	School District 7	05/23/19	
Mr. Gregory M. Tate	Cherokee County	05/23/19	Chairman
Mr. Stanley O. Vanderford	Union County	11/15/17	
Dr. C. Scott Turner	Spartanburg	Ex-Officio	
Mr. J. Whitner (Whit) Kennedy, Jr.	Spartanburg	Ex-Officio	

### OFFICERS AND KEY ADMINISTRATIVE STAFF

Mr. Henry C. Giles, Jr.	President
Mr. L. Ray Switzer	Vice President of Business Affairs
Mr. Ronald Jackson	Vice President of Student Affairs
Dr. Cheryl A. Cox	Senior Vice President of Academic Affairs
Mr. P. Michael Forrester	Director of Economic Development
Mr. Samuel S. Hook	Executive Director of Advancement and Foundation
Mrs. Geraldine S. Mahaffey	Administrative Coordinator to the President
Ms. Betty A. Hall	Administrative Assistant to the President

### AREA SERVED BY COLLEGE

Spartanburg, Cherokee, and Union Counties

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## Independent Auditors' Report

The Commission Members  
Spartanburg Community College  
Spartanburg, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Spartanburg Community College Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Spartanburg Community College as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the College adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

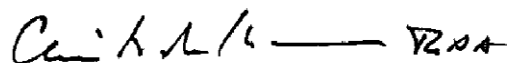
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) net pension liability, and the schedule of College contributions to the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of Spartanburg Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Gaffney, SC  
September 10, 2015



## Management's Discussion and Analysis

As management of Spartanburg Community College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2015, with comparative data for fiscal year ended June 30, 2014. The emphasis of discussion about these statements will be on current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34, No. 35, No. 39 and No. 40 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective. The GASB statement presentation focuses on the financial condition of the College as a whole.

The State of South Carolina implemented GASB Statements No. 61 and No. 63 for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit in the State of South Carolina Comprehensive Annual Financial Report. In addition, the Statement of Net Assets has been replaced by the Statement of Net Position.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. As a result of implementing GASB No. 68 and recording the Net Pension Liability and deferred outflows and inflows of resources, total net assets decreased by \$27,841,642. If GASB No. 68 was not implemented this fiscal year, total net assets would have increased by \$4,069,006.



## Overview of the Financial Statements

The College is engaged only in Business-type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: invested in capital assets (net of related debt), restricted and unrestricted. Net assets are one indicator of the current financial position of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

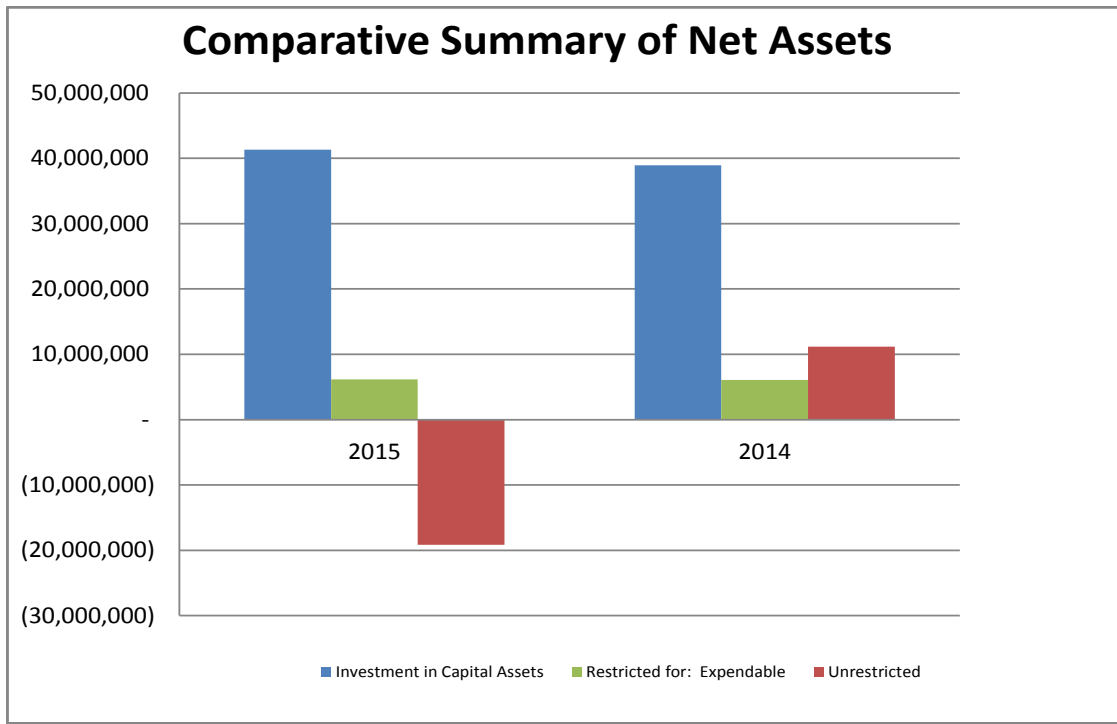
- The assets of Spartanburg Community College exceeded its liabilities at June 30, 2015, by \$28,337,526 (net position). Due to the implementation of GASB 68, unrestricted net assets are (\$19,156,020). If GASB 68 was not implemented, total net assets would have increased by \$4,069,006 to \$60,248,174, and unrestricted net assets would have been \$12,754,628, which could be used to meet the College's ongoing obligations.
- Total assets of the College increased by \$3,146,591. Total Current Assets increased by \$740,966, primarily due to an increase in receivables at year-end from the State and Spartanburg County. Capital assets increased by \$4,111,350 (before accumulated depreciation) due to construction in progress of a new instructional facility at the Cherokee County Campus, and the College purchasing land and other machinery and equipment.
- Total liabilities increased by \$31,008,293, mainly due to recording the College's Net Pension Liability under GASB 68.
- During the 2014-15 fiscal year, the College and the SC Technical College System worked together with the approval of the SC Office of the Comptroller General to write-off a \$400,000 non-interest bearing advance on both the College's and the Technical College System's books.
- Deferred Outflows and Inflows of Resources were recorded in accordance with GASB 68 to show the College's share of the expected and actual experience and the net difference between the projected and actual investment earnings.

### Condensed Statement of Net Position As of June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
<b>Assets</b>			
Current Assets	\$ 23,211,988	\$ 22,471,022	\$ 740,966
Capital Assets (net of depreciation)	43,066,596	40,660,970	2,405,626
Other	0	0	0
Total Assets	66,278,584	63,131,993	3,146,591
<b>Deferred Outflows of Resources</b>	2,714,163	0	2,714,163
<b>Liabilities</b>			
Current Liabilities	3,025,889	3,463,468	(437,579)
Noncurrent Liabilities	34,935,228	3,489,356	31,445,872
Total Liabilities	37,961,117	6,952,824	31,008,293
<b>Deferred Inflows of Resources</b>	2,694,104	0	2,694,104

### Net Position

Invested in Capital Assets, Net of Debt	41,331,549	38,937,420	2,394,129
Restricted - Capital Projects	6,181,197	6,089,580	91,617
Restricted - Debt Service	(19,200)	(20,545)	1,345
Loans	-	-	-
Unrestricted	(19,156,020)	11,172,713	(30,328,733)
Total Net Position	<u>\$ 28,337,526</u>	<u>\$ 56,179,168</u>	<u>\$ (27,841,642)</u>



The unrestricted net assets are negative in FY 2015-16 due to the implementation of GASB 68 and recording the Net Pension Liability and deferred outflows and inflows of resources.

The Statement of Revenues, Expenses, and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and non-operating. Expenses are reported by object type.

GASB requires state appropriations and gifts to be classified as non-operating revenues. (Pell grants are classified as non-operating revenue – grants and contracts.) This requirement results in an operating deficit for the College.

- Total net position increased by \$3,639,348 during fiscal year 2015. Both State regular and capital appropriations increased during the fiscal year. Local appropriations also increased. Although Federal grants and contracts revenues decreased by \$1,211,618, the College received Federal capital grants of \$770,681.
- Total operating revenues decreased by \$106,894 during the year, primarily due to reduced enrollment.
- Due to the implementation of GASB 68 for FY 2014-15, the adjustment to the Unrestricted Fund Balance is shown as the Cumulative Effect of Accounting Changes and is used to restate the Beginning Net Position.



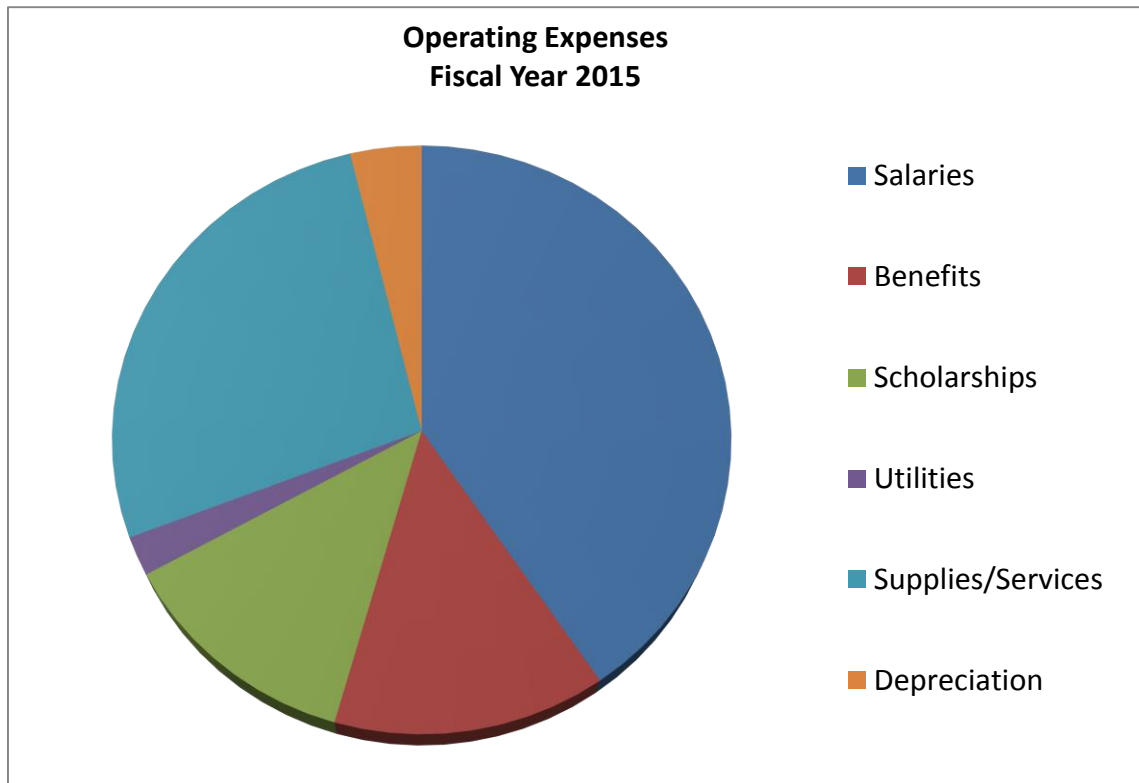
Condensed Summary of Financial Position					
For the Years Ended June 30, 2015 and 2014					
		<u>2015</u>		<u>2014</u>	
<b>OPERATING REVENUES</b>					
Student Tuition and Fees	\$	12,309,424	\$	12,495,857	
Grants and Contracts		6,924,464		6,925,639	
Auxiliary Enterprises		2,122,198		2,231,816	
Sales & Services		1,196		5,626	
Other		596,240		401,478	
Total Operating Revenues		21,953,522		22,060,416	
LESS: Operating Expenses		47,917,735		47,475,935	
Operating Income (Loss)		(25,964,213)		(25,415,519)	
<b>NON-OPERATING REVENUES</b>					
State Appropriations		6,694,861		6,381,826	
State Capital Appropriations		2,156,816		1,746,816	
Local Appropriations		5,531,593		5,326,495	
Local Capital Appropriations		2,042,653		2,076,653	
Interest Income		2,052		1,548	
Interest on Capital Assets		(76,100)		(81,150)	
Federal Grants and Contracts		11,824,620		13,036,238	
Federal Capital Grants and Contracts		770,681			
Capital Grants and Gifts		-		-	
Other Non-Operating Revenue		641,970		197,532	
Gain (Loss) on Disposal of Assets		14,415		22,497	
Total Non-Operating Revenues		29,603,561		28,708,455	
Increase in Net Position		3,639,348		3,292,936	
Net Position - Beginning of Year		56,179,168		52,886,232	
Cumulative Effect of Accounting Changes		(31,480,990)			
Beginning of Year Restated		24,698,178			
Net Assets, End of Year		\$28,337,526		\$56,179,168	

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

- Salaries decreased \$329,828. During the year, part-time salaries were underspent due to a decrease in enrollment, in addition some employees retired and there were other vacancies during the year. The state provided a 2% salary increase on July 1, 2014, for full-time employees. A portion of this increase was funded by the College.
- Benefits increased by \$492,850 due to the increasing cost of benefits such as retirement and insurance and the allocation of the net pension expense.
- Supplies and services increased by \$894,266. This increase is related to an increased cost for some expenses, and equipment and contractual services related to the new instructional building in progress at the Cherokee County Campus. The transfer from the current fund to the plant fund at fiscal year-end, as authorized by the Commission, increased from \$750,000 in fiscal year 2014, to \$1,000,000 in fiscal year 2015, an increase of \$250,000.
- Scholarships decreased \$686,302. This is primarily due to a decrease in enrollment. In fiscal year 2015, the amount received from Pell and Federal Direct Loans continued to decrease.

**Condensed Summary of Operating Expenses  
For the Years Ended June 30, 2015 and 2014**

	2015	2014	Increase (Decrease)
Salaries	\$ 19,407,114	\$ 19,736,942	\$ (329,828)
Benefits	6,664,714	6,171,864	492,850
Scholarships	6,038,342	6,724,644	(686,302)
Utilities	1,031,489	1,049,182	(17,693)
Supplies/Services	12,941,303	12,047,037	894,266
Depreciation	1,834,773	1,746,264	88,509
Total	<u>\$ 47,917,735</u>	<u>\$ 47,475,933</u>	<u>\$ 441,800</u>



The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on State and County appropriations by separating them from operating cash flows.

- The decrease in cash flows of \$514,503 as compared to a \$5,551,283 increase in fiscal year 2015 was primarily due to a increase in supplies and services expenses by \$894,266. This increase is related to an increased cost for some expenses, and equipment and contractual services related to the new instructional building in progress at the Cherokee County Campus.
- Two construction projects in process at the end of fiscal year 2014 were completed and capitalized in fiscal year 2015. In addition, capital funds set aside for a land purchase was completed and capitalized in fiscal year 2015.
- A tuition increase of \$62 per semester for in-county residents was effective in the Fall 2014 term to partially offset the decline in state funding over time.

**Condensed Summary of Cash Flows**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Difference</u>
Operating Activities	\$(24,190,325)	\$(21,884,803)	\$(2,305,522)
Non-Capital Financing Activities	25,053,547	24,977,302	76,245
Capital and Related Financing Activities	(1,379,777)	2,457,236	(3,837,013)
Investing Activities	2,052	1,548	504
Net (Decrease) in Cash	<u>(514,503)</u>	<u>5,551,283</u>	<u>(6,065,786)</u>
Cash & Cash Equivalents - Beginning of Year	<u>19,730,529</u>	<u>14,179,246</u>	<u>5,551,283</u>
Cash & Cash Equivalents - End of Year	<u><u>\$ 19,216,026</u></u>	<u><u>\$ 19,730,529</u></u>	<u><u>\$ (514,503)</u></u>

## Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$28,337,526 at the close of the fiscal year. Due to the implementation of GASB 68, unrestricted net assets are (\$19,156,020). If GASB 68 was not implemented, total net assets would have increased by \$4,069,006 to \$60,248,174, and unrestricted net assets would have been \$12,754,628, which could be used to meet the College's ongoing obligations.

By far the largest portion of the College's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The College uses these capital assets to provide services to students, consequently, these assets are not available for future spending. During fiscal year 2013, the College paid off all four of its' capital bonds. The College currently has no outstanding bond debt.

Cash decreased by \$514,503. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately \$25 million was used to fund operating activities.

The College is party to a 20 year capital lease with the Spartanburg Community College Foundation for the lease of the Business Training Center on the Cherokee Campus. Lease payments in the amount of \$199,000 were made this fiscal year.

The Evans Building project was transferred to the Spartanburg Community College Foundation-Downtown Campus, LLC during fiscal year 2013. On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is 20 years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred \$825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. During the current year, the College paid a total of \$825,760 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease. The Evans Building was completed and was being used starting in the Fall 2013 semester.

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. The College received \$83,863.78 in lease payments along with a deposit of \$6,988.65 from Spartanburg County School District No. 7 as security of the full and faithful performance of every provision of the Sublease.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. SC Works paid Spartanburg Community College \$157,200 in lease payments during fiscal year 2015. A security deposit of \$12,008.33 was also received by the College as security of the full and faithful performance of every provision of the Sublease. On June 16, 2015, the third term of the sublease, July 1, 2015 – June 30, 2016, was amended. For the third term, SC Works will pay Spartanburg Community College \$131,000 total.

## **Economic Factors**

This past year, the State appropriation to the State Board for Technical & Comprehensive Education continued to stabilize and increase slightly by \$1,269,000 (1.28 percent). As a result, the college received \$77,149 more in state support, which was a 1.3 percent increase. In addition, the college received \$750,000 in one-time capital funds to put towards a new student services building and \$500,000 in one-time capital funds for equipment for the new instructional building in progress at the Cherokee County campus. Capital appropriations of \$906,816 were received to support the operations of the Cherokee campus.

Spartanburg Community College experienced a decrease in enrollment headcount of 6.3% for the Fall 2014 term and a decrease of enrollment headcount of 3.5% for the Spring 2015 term. The Summer 2015 headcount was down 2.8%. With the continued improvement experienced in regional employment, the College has projected and budgeted for a 9% decrease in enrollment for 2015-16.

Increased use of our facilities will put demands on our operational costs. Utilities and operational costs are expected to continue to increase. The College has almost completely finished construction of the new Cherokee Campus building. This building will be holding classes starting in the Fall 2015 semester. Staffing optimization at all sites will continue to be a top priority.

**SPARTANBURG COMMUNITY COLLEGE**

## Statement of Net Position

June 30, 2015

**ASSETS****CURRENT ASSETS**

Cash and Cash Equivalents	\$ 19,216,026
Accounts Receivable, Net	3,133,721
Inventories	529,041
Other Assets	333,200

Total Current Assets	<u>23,211,988</u>
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**NONCURRENT ASSETS**

Capital Assets	71,154,345
Accumulated Depreciation	<u>(28,087,749)</u>

Total Noncurrent Assets	<u>43,066,596</u>
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Total Assets	<u><u>66,278,584</u></u>
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**DEFERRED OUTFLOWS OF RESOURCES**

	<u>2,714,163</u>
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**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable	524,385
Compensated Absences	82,144
Accrued Payroll and Related Liabilities	647,155
Long-Term Liabilities - Current Portion	126,764
Unearned Revenue	1,626,241
Accrued Interest Payable	19,200

Total Current Liabilities	<u>3,025,889</u>
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**NONCURRENT LIABILITIES**

Long-Term Liabilities - Noncurrent Portion	1,608,283
Compensated Absences - Payable	1,396,237
Net Pension Liability	<u>31,930,708</u>

Total Noncurrent Liabilities	<u>34,935,228</u>
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Total Liabilities	<u><u>37,961,117</u></u>
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**DEFERRED INFLOWS OF RESOURCES**

	<u>2,694,104</u>
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**NET POSITION**

Net Investment in Capital Assets	41,331,549
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## Restricted For:

Capital Projects	6,181,197
Debt Service	(19,200)

Unrestricted	<u>(19,156,020)</u>
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Total Net Position	<u><u>\$ 28,337,526</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS

**SPARTANBURG COMMUNITY COLLEGE**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2015

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees	\$ 10,876,966
(Net of Scholarship Allowances of \$9,721,058)	
Student Tuition and Fees Pledged for Capital Projects	1,432,458
(Net of Scholarship Allowances of \$750,695)	
Federal Grants and Contracts	866,707
State Grants and Contracts	5,875,319
Local Grants and Contracts	182,438
Sales and Services of Educational Departments	1,196
Auxiliary Enterprises (Net of Scholarship Allowances of \$1,291,899)	2,122,198
Other Operating Revenues	596,240
Total Operating Revenues	<u>21,953,522</u>

**EXPENSES**

**OPERATING EXPENSES**

Salaries	19,407,114
Benefits	6,664,714
Scholarships	6,038,342
Utilities	1,031,489
Supplies and Other Services (Other Transfers Included)	12,941,303
Depreciation	1,834,773
Total Operating Expenses	<u>47,917,735</u>
Operating Income (Loss)	<u>(25,964,213)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	6,694,861
Local Appropriations	5,531,593
Investment Income	2,052
Interest On Capital Asset-Related Debt	(76,100)
Federal Grants and Contracts	11,824,620
Other Non-Operating Revenue	641,971
Net Non-Operating Revenues	<u>24,618,997</u>
Income Before Other Revenues, Expenses, Gains or Losses	<u>(1,345,216)</u>

**OTHER**

Federal Capital Grants & Contracts	770,681
State Capital Appropriations	2,156,816
Local Capital	2,042,653
Gain on Disposal of Capital Assets	14,415
Total Other	<u>4,984,565</u>
Increase in Net Position	<u>3,639,348</u>

**NET POSITION**

Net Position - Beginning of Year	56,179,168
Cumulative Effect of Accounting Changes	<u>(31,480,990)</u>
Beginning of Year Restated	24,698,178
Net Position - End of Year	<u><u>\$ 28,337,526</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

**SPARTANBURG COMMUNITY COLLEGE**Statement of Cash Flows  
For the Year Ended June 30, 2015**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 12,359,507
Federal, State and Local Grants and Contracts	6,239,417
Auxiliary Enterprise Charges	2,490,386
Payments to Suppliers for Goods and Services	(13,828,448)
Payments to Employees	(26,026,897)
Payments for Scholarships and Fellowships	(6,038,342)
Other Receipts	614,052
Net Cash Provided (Used) by Operating Activities	<u>(24,190,325)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	6,694,861
County Appropriations	5,532,989
Grants & Gifts Received for Other Than Capital Purposes	12,825,697
Net Cash Flows Provided by Noncapital Financing Activities	<u>25,053,547</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Appropriations	1,405,909
Local Grants and Contracts	1,639,296
Purchase of Capital Assets	(4,240,397)
Gain on Disposal of Assets	14,415
Principal Paid on Capital Debt	(121,554)
Interest Paid on Capital Debt	(77,446)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,379,777)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>2,052</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>2,052</u>

Net Increase (Decrease) in Cash	(514,503)
Cash - Beginning of Year	<u>19,730,529</u>
Cash - End of Year	<u><u>\$ 19,216,026</u></u>

**Reconciliation of Net Operating Revenue (Expenses) to Net Cash  
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (25,964,213)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,834,772
Change in Assets and Liabilities:	
Receivables, Net	(235,308)
Inventories	4,010
Allocated net Pension Liability to Benefits Expense	429,659
Deferred Charges and Prepaid Expenses	140,271
Accounts Payable and Accrued Expenses	(398,796)
Compensated Absences	14,131
Unearned Revenue	(14,851)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (24,190,325)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS



**SPARTANBURG COMMUNITY COLLEGE FOUNDATION**

Consolidated Statement of Financial Position

For the Year Ended June 30, 2015

**ASSETS*****CURRENT ASSETS***

Cash and Cash Equivalents	\$	696,688
Due From Spartanburg Community College		26,239
Accrued Interest Receivable		-
		<u>722,927</u>

***ASSETS RESTRICTED FOR LONG-TERM ASSETS***

Cash		1,393,343
Pledges Receivable, Net		<u>345,680</u>
		<u>1,739,023</u>

***PROPERTY AND EQUIPMENT***

		20,041,812
Less: Accumulated Depreciation		<u>(1,307,341)</u>
		<u>18,734,471</u>

***OTHER ASSETS***

Debt Issuance Costs - Unamortized		300,076
Investments Held by Spartanburg County Foundation		6,379,352
Note Receivable		<u>2,395,500</u>
		<u>9,074,928</u>

**TOTAL ASSETS****\$ 30,271,349****LIABILITIES AND NET POSITION*****CURRENT LIABILITIES***

Accrued Interest Payable	\$	182,098
Current Portion of Long-Term Debt		<u>125,507</u>
		<u>307,605</u>

***LONG TERM LIABILITIES***

Long-Term Debt		<u>16,135,892</u>
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***NET POSITION***

Unrestricted		5,930,031
Temporarily Restricted		<u>7,897,821</u>
Total Net Position		<u>13,827,852</u>

**TOTAL LIABILITIES AND NET POSITION****\$ 30,271,349**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**SPARTANBURG COMMUNITY COLLEGE FOUNDATION**

Statement of Activities  
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Grants and Contributions	\$ 210,159	389,739	599,898
Lease Income	1,026,200	-	1,026,200
Investment Income			
Investment Interest and Dividends	203,626	-	203,626
Realized Gains (Losses)	58,895	-	58,895
Unrealized Gains (Losses)	123,238	-	123,238
Other Income	71,000	-	71,000
Net Assets Released from Restrictions	<u>981,698</u>	<u>(981,698)</u>	<u>-</u>
Total Revenues, Support, and Reclassifications	<u>2,674,816</u>	<u>(591,959)</u>	<u>2,082,857</u>
Expenses			
Program Services	1,785,264	-	1,785,264
Management and General	180,925	-	180,925
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>1,966,189</u>	<u>-</u>	<u>1,966,189</u>
Net Increase (Decrease) in Net Assets Before Transfers	708,627	(591,959)	116,668
Transfers In	668,861	-	668,861
Transfers Out	<u>(689,099)</u>	<u>-</u>	<u>(689,099)</u>
	<u>(20,238)</u>	<u>-</u>	<u>(20,238)</u>
Change in Net Assets	688,389	(1,183,918)	96,430
Net Position at Beginning of Year	<u>5,241,642</u>	<u>8,489,780</u>	<u>13,731,422</u>
Net Position at End of Year	<u><u>\$ 5,930,031</u></u>	<u><u>7,305,862</u></u>	<u><u>13,827,852</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements

June 30, 2015

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations:** Spartanburg Community College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Spartanburg, Union, and Cherokee counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives as well as the Associate of Arts and Associate of Science degree programs for students wishing to continue their education at a four year college or university.

Spartanburg Community College Foundation, Inc. (the “Foundation”) is a nonprofit organization that was formed June 28, 1983, to benefit and support education at Spartanburg Community College.

**B. Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The State of South Carolina implemented GASB Statement No. 61 beginning for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit beginning in the 2013 State of South Carolina Comprehensive Annual Financial Report. Accordingly, the financial statements include the accounts of Spartanburg Community College, as a discretely presented component unit, and the accounts of Spartanburg Community College Foundation, its component unit. The College is a component unit of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

On January 13, 2012, the Foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner to carry out the charitable and educational purposes of the Foundation, to benefit Spartanburg Community College, as a partnership of two non-profit entities, and, more specifically, for the purpose of renovating the Evans building, the new downtown campus project. This renovation project was completed during the fiscal year ended June 30, 2014, and the renovated facility occupied and leased to and managed by the College.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2015

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to: Spartanburg Community College Foundation, Post Office Box 4386, Spartanburg, South Carolina 29305.

**C. Financial Statements:** The financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

Beginning in fiscal year 2013, the State required the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the Statement of Net Assets has been replaced by the Statement of Net Position. The State also implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*, beginning in the fiscal year ended June 30, 2013. As a result, Spartanburg Community College is presented as a discretely presented component unit in the State of South Carolina Comprehensive Annual Financial Report.

In fiscal year 2014, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. As a result of implementing GASB No. 68 and recording the Net Pension Liability and deferred outflows and inflows of resources, total net assets decreased by \$27,841,642. If GASB No. 68 was not implemented this fiscal year, total net assets would have increased by \$4,069,006.

**D. Basis of Accounting:** For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**E. Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**F. Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, and "Investments of Funds". GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**G. Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**H. Inventories:** Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**I. Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011, the College adopted a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

**J. Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent tuition for international students, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**K. Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of Net Position and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

**L. Net Assets:** The College's net assets are classified as follows:

***Invested in capital assets, net of related debt:*** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

***Restricted net assets - expendable:*** Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

***Restricted net assets - nonexpendable:*** Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

***Unrestricted net assets:*** Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**M. Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

**N. Classification of Revenues:** The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

***Operating Revenues:*** Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

***Nonoperating Revenues:*** Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2009-10, the SC Comptroller General's office mandated that Pell grants be reclassified as non-operating revenues from operating revenues. State fiscal stabilization funds are reported as federal non-operating revenues in the financial statements, with a portion reported as federal capital grants, as appropriate.

**O. Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues from programs such as culinary arts luncheons, horticultural plant sales and massage therapy sessions.

**P. Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by bookstore services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Q. Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$-0- of interest cost during the year ended June 30, 2015.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**R. Component Unit:** The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as follows:

***Permanently Restricted Net Assets:*** Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

***Temporarily Restricted Net Assets:*** Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

***Unrestricted Undesignated Net Assets:*** Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

***Unrestricted Designated Net Assets:*** Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Foundation and the SCC Foundation – Downtown Campus, LLC, a limited liability partnership, with the Spartanburg Public Facilities Corporation as a 3% partner. The Foundation has controlling interest in the LLC Partnership and all material inter-organizational transactions have been eliminated.

**Contributions**

Unconditional promises to give, contributions in kind, and other contributions are recorded as received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions in kind are recorded at the fair market value of the contribution at the date of the gift. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the respective net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Donated Services**

The Foundation receives donated services from unpaid volunteers who assist in fundraising and special events. No amounts have been recognized in the Statement of Activities because the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

**Functional Expenses**

The cost of providing program activities has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**R. Component Unit**, continued

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Investments**

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Used by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Fair Value of Financial Instruments**

Statement of Financial Accounting Standards No. (SFAS) 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. SFAS 157 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.
- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.
- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

SFAS 157 expands disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Foundation's funds held by the Spartanburg County Foundation are based on information provided to the Spartanburg County Foundation by external investment managers.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**R. Component Unit**, continued

**Property, Plant, and Equipment**

Property and equipment are stated at historical cost. Acquisitions of property and equipment with useful lives exceeding one year are capitalized. Repairs and maintenance not increasing the values or extending the useful lives of the assets are expensed as incurred. Contributions of property and equipment are recorded at their fair market value at the date of the gift.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and Land Improvements	15-39 Years
Equipment	5 Years
Furniture and Fixtures	7 Years

Disposals of property and equipment are eliminated from the asset and accumulated depreciation accounts. Gains and losses on dispositions of property and equipment are included in income.

Depreciation expense for the year ended June 30, 2015 was \$108,637 for the Foundation and \$195,429 for the Downtown Campus, LLC.

**Unamortized Debt Issuance Costs**

On the accompanying financial statements debt issuance costs are capitalized and amortized. The unamortized portion of debt issuance costs represent the portion of the issuance costs remaining to be amortized. These costs are amortized over the term of the debt at approximately the interest method.

**S. Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the South Carolina Police Retirement System (PORS) and additions to/deductions from SCRS' and PORS' fiduciary net position have been determined on the same basis as they are reported by the South Carolina Public Employee Benefit Authority (PEBA). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 – STATE APPROPRIATIONS**

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical and community colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 2 – STATE APPROPRIATIONS**, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2015:

**Non-Capital Appropriations**

Appropriations Per State Board Allocation	\$ 6,363,170
Lottery Technology Funds	231,643
STEM E&G Critical Needs Workforce Allocation	97,786
STEM Equipment Funding (Lottery Funds)	-
Appropriations from Commission on Higher Education for Academic Endowment	2,262
Less: Prior Year's Appropriations Recorded As Current Year Revenue	-
Less: Prior Year's Lottery Technology Funds	-
Plus: Next Year's Appropriations Recorded As Current Year Revenue	-
Total Non-Capital Appropriations Recorded As Current Year Revenue	<u><u>\$ 6,694,861</u></u>

**Capital Appropriations**

Appropriations for Cherokee Campus	906,816
Special Items - Lottery (One-Time Appropriation)	1,250,000
Total Capital Appropriations Recorded As Current Year Revenue	<u><u>\$ 2,156,816</u></u>

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**DEPOSITS**

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty transaction fails.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004, and was updated and approved on May 19, 2014.

The deposits for Spartanburg Community College at June 30, 2015, were \$20,429,755. Of these, \$0 were exposed to custodial credit risk as uninsured and uncollateralized.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 3 – DEPOSITS AND INVESTMENTS,** Continued

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

**INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College had no investments at June 30, 2015.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004, and was updated and approved on May 19, 2014.

The College's investments at June 30, 2015, were held by the College or in the College's name by the College's custodial banks. The College recognized no losses due to the default by counterparts to investment transactions and amounts recovered from prior period losses.

**Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004, and was updated and approved on May 19, 2014.

The College's excess funds were held in an interest bearing checking account, which was fully insured or collateralized at June 30, 2015.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

**SPARTANBURG COMMUNITY COLLEGE**

Notes To Financial Statements, Continued

June 30, 2015

**NOTE 3 – DEPOSITS AND INVESTMENTS,** Continued

**Cash and Investment Reconciliation**

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

STATEMENT OF NET POSITION:

Cash and Cash Equivalents	\$ 19,216,026
Restricted Cash and Cash Equivalents	-
Total	<u>\$ 19,216,026</u>

DEPOSITS AND INVESTMENTS NOTE:

Cash on Hand	\$ 4,780
Carrying Amounts of Deposits, Net	19,211,246
Total	<u>\$ 19,216,026</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

The College does not have a policy concerning interest rate risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the college is not exposed to this risk.

**Deposits and Investments - Component Unit**

***Spartanburg Community College Foundation***

At various times throughout the year, and at year end, the Foundation had deposits at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits.

The deposits and investments for the Spartanburg Community College Foundation, Inc. at June 30, 2015, were as follows:

Cash and Cash Equivalents	\$ 696,688
Cash and Cash Equivalents Restricted for Long-Term Assets	<u>1,393,343</u>
	<u>\$ 2,090,031</u>

**SPARTANBURG COMMUNITY COLLEGE**

## Notes To Financial Statements, Continued

June 30, 2015

**NOTE 3 – DEPOSITS AND INVESTMENTS**, ContinuedDeposits and Investments - Component Unit, continued***Spartanburg Community College Foundation***

Debt covenants provide for certain amounts to be allocated to debt service for the payment of future principal and interest on outstanding obligations. These accounts and the respective balances at June 30, 2015 are shown below:

	SCC Foundation	SCC Foundation - Downtown Campus, LLC
Restricted For:		
Debt Service Principal and Interest		
Fundraising Proceeds Account	\$ 855,864	-
Sub CDE Reserve Account	-	140,101
Debt Service Reserve Account	-	166,889
	<u>\$ 855,864</u>	<u>306,990</u>

**FUNDS HELD BY SPARTANBURG COUNTY FOUNDATION**

The Spartanburg Community College Foundation has established several funds with the Spartanburg County Foundation. The funds are held, managed, administered, applied, and disbursed under the general powers and duties of the Spartanburg County Foundation.

The funds are carried as assets on the accompanying financial statements, since these funds were established by the Spartanburg Community College Foundation with the Foundation as the beneficiary. The proceeds of these funds are to be used for scholarship assistance for students attending Spartanburg Community College or for the benefit of the College depending on the purpose of the individual funds.

The Foundation has established a temporarily restricted account for BMW scholarships, the funding of which was received from a State of South Carolina Grant for BMW scholar scholarships at Spartanburg Community College, Greenville Technical College and Tri-County Technical College. During the current year this grant resulted in payments to Spartanburg Community College of \$157,999, Greenville Technical College of \$108,507, Tri-County Technical College of \$36,000 and \$40,000 for a Career Showcase to advance technical careers as participants in the BMW Scholars Program managed by the Spartanburg Community College Foundation and disbursed through the Spartanburg County Foundation.

The following is a summary of the activity in the investment funds for the year ended June 30, 2015, as reported by the Spartanburg County Foundation:

Balance - July 1, 2014	\$ 6,588,555
Contributions	23,150
Interest/Dividend Income	97,717
Realized Gains/(Losses)	35,745
Unrealized Gains/(Losses)	123,238
Distributions	(412,800)
Management Fees and Other (Grant Expense)	(76,253)
Balance - June 30, 2015	<u>\$ 6,379,352</u>



**SPARTANBURG COMMUNITY COLLEGE**

## Notes To Financial Statements, Continued

June 30, 2015

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables as of June 30, 2015, including applicable allowances, were as follows:

<u>Receivables:</u>	
Student Accounts	\$ 1,209,014
Less: Allowance for Doubtful Accounts	(1,050,786)
Federal Grants and Other Contracts	1,011,152
State Capital Allocation	750,000
Other	612,693
Spartanburg County Capital Allocation	403,357
State Grants and Contracts	189,825
Cherokee County	7,100
Union County	1,366
Net Accounts Receivable	<u>\$ 3,133,721</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2015, the allowance for uncollectible student accounts is valued at \$1,050,786.

**NOTE 5 – RECEIVABLES - COMPONENT UNIT****PLEDGES RECEIVABLE*****Spartanburg Community Foundation***

The pledges receivable are unconditional and due over five years. Uncollectible promises are estimated at 50% of the unpaid balance, and are discounted using a net present value calculation and an effective rate of 5.0 percent.

Unconditional promises to give as June 30 are:

Receivable in Less than One Year	\$ 125,000
Receivable in One to Five Years	620,000
	<u>745,000</u>
Less Allowance for Uncollectible Amounts	(372,500)
Less Discount to Net Present Value	<u>(26,820)</u>
Pledges Receivable (Net)	<u>\$ 345,680</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 5 –RECEIVABLES - COMPONENT UNIT**, continued

**LOAN RECEIVABLE**

***Spartanburg Community College Foundation***

On December 6, 2012, and simultaneous with a \$9,500,000 loan executed with Wells Fargo Bank, N.A. (the Leverage Loan Note), the SCC Foundation loaned to the SCC Investment Fund, LLC the amount of \$10,495,500 at 1% per annum, to be combined with an advance on New Market Tax Credits to provide funding for the SCC Foundation – Downtown Campus, LLC Evans property renovation project. The note provides for interest only quarterly payments through April, 2020 when quarterly principal and interest payments begin, and go through 2036. In addition, a lump sum payment of \$5,321,500 is due and payable April 1, 2020. The payment schedule is as follows:

Year	Payment	Principal	Interest	Repayment	Balance
2016	\$ 104,955	-	104,955	-	10,495,500
2017	104,955	-	104,955	-	10,495,500
2018	104,955	-	104,955	-	10,495,500
2019	104,955	-	104,955	-	10,495,500
2020	222,751	144,584	78,167	5,321,500	5,029,416
2021	340,548	291,344	49,204	-	4,738,072
2022	340,548	294,268	46,280	-	4,443,803
2023	340,548	297,222	43,326	-	4,146,581
2024	340,548	300,205	40,342	-	3,846,376
2025	340,548	303,219	37,329	-	3,543,157
2026	340,548	306,262	34,285	-	3,236,895
2027	340,548	309,336	31,211	-	2,927,559
2028	340,548	312,441	28,106	-	2,615,117
2029	340,548	315,578	24,970	-	2,299,540
2030	340,548	318,745	21,803	-	1,980,794
2031	340,548	321,945	18,603	-	1,658,850
2032	340,548	325,176	15,372	-	1,333,674
2033	340,548	328,440	12,108	-	1,005,234
2034	340,548	331,737	8,811	-	673,497
2035	340,548	335,067	5,481	-	338,430
2036	340,548	338,430	2,118	-	-

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 6 – CAPITAL ASSETS**

The balances of the major classes of property, plant and equipment are listed below:

Spartanburg Community College

	Beginning Balance, Restated 06/30/14	Additions	Retirements	Transfers	Ending Balance 06/30/15
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 4,762,746	353,356	-	-	5,116,102
Construction in Progress	435,948	3,281,573	-	(801,173)	2,916,348
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	5,213,338	3,634,929	-	(801,173)	8,047,094
Other Capital Assets:					
Buildings and Renovations	51,104,496	-	-	801,173	51,905,669
Machinery, Equipment, and Other	7,522,970	605,468	106,483	-	8,021,955
Vehicles	711,535	-	22,565	-	688,970
Depreciable Land Improvements	2,273,513	-	-	-	2,273,513
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	61,829,657	605,468	129,048	801,173	63,107,250
Less Accumulated Depreciation For:					
Buildings and Improvements	17,723,522	1,250,493	-	-	18,974,015
Machinery, Equipment and Other	6,236,584	458,796	106,483	-	6,588,897
Vehicles	579,001	48,341	22,565	-	604,777
Depreciable Land Improvements	1,625,775	77,142	-	-	1,702,917
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	26,382,025	1,834,772	129,048	-	28,087,749
Other Capital Assets, Net	35,447,632	(1,229,304)	-	801,173	35,019,501
Capital Assets, Net	\$ 40,660,970	2,405,625	-	-	43,066,595

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 6 – CAPITAL ASSETS, Continued**

Property, Plant, and Equipment – Component Unit

***Spartanburg Community College Foundation***

The balances of the major classes of property, plant and equipment are listed below:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Land and Land Improvements	\$ 589,177	-	-	589,177
Buildings	4,091,533	-	-	4,091,533
Furniture and Fixtures	3,187	-	-	3,187
Equipment	223	-	-	223
	4,684,120	-	-	4,684,120
Less Accumulated Depreciation	810,949	108,637	-	919,586
	<u>\$ 3,873,171</u>	<u>(108,637)</u>	<u>-</u>	<u>3,764,534</u>

Depreciation expense for the year amounted to \$108,637.

***SCC Foundation-Downtown Campus, LLC:***

	Balance 6/30/2014	Additions	Deletions	Transfers	Balance 6/30/2015
Building	\$ 15,092,690	265,002	-	-	15,357,692
Accumulated Depreciation	(192,277)	(195,478)	-	-	(387,755)
	<u>\$ 14,900,413</u>	<u>69,524</u>	<u>-</u>	<u>-</u>	<u>14,969,937</u>

Depreciation expense for the year amounted to \$195,478.

**NOTE 7 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS**

The College may be party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

On January 12, 2015, the College received a Final Audit Determination from the U.S. Department of Education concerning SCC's administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965 during the 2013-14 award year. The Final Audit Determination contained one finding alleging that SCC awarded ineligible disbursements of financial aid to students for courses not included in the students' programs of study. SCC filed a Request for Review appealing this Audit Determination and requesting a hearing before a Department Administrative Judge. SCC and the U.S. Department of Education are currently engaged in settlement negotiations.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 7 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS**, Continued

Necessary funding has been obtained for the construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2015, the College had remaining commitment balances with certain engineering firms, construction contractors, and vendors related to these projects. One project's contract commitments totaled \$2,750,500 with expenditures of \$1,193,351 in the fiscal year ended June 30, 2015. Another project had contract commitments totaling \$24,691, and expenditures totaling \$77,049, in the fiscal year ended June 30, 2015. The College is also currently in negotiation with one contractor.

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects totaled \$102,695 at June 30, 2015.

The College anticipates funding these projects out of current resources, private gifts, or student fees.

During the 1998-99 fiscal year, the College received a non-interest bearing advance of \$400,000 from the General Assembly to be used to purchase a building. This note was to be repaid if the building was sold. For financial reporting purposes, this amount was classified on the Statement of Net Assets as "Other Liabilities-Advance" under Non-Current Liabilities. During the 2014-15 fiscal year, the College and the SC Technical College System worked together with the approval of the SC Office of the Comptroller General to write-off this advance on both the College's and the Technical College System's books. In the 17 years since this transaction occurred and going forward, there are no plans by the College to sell this building, which would trigger repayment of the advance to the SC Technical College System. To clear this obligation off of the College's books, Non-Current Liabilities – Other Advance account was debited and Other Non-Operating Revenue was credited.

Two buildings, the Health Sciences Building on the main campus and the Academic Building on the Cherokee County campus, were partially funded by grants from the Economic Development Administration (EDA). As a condition of the grants, the College entered into a twenty-year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Spartanburg Community College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the property, without the written consent of EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the College is remote. Therefore, the contingent liability is not reflected in the College's financial statements.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2015

#### **NOTE 8 – LEASE OBLIGATIONS**

##### **Capital Leases:**

The College entered into a 20-year lease agreement with Spartanburg Community College Foundation on September 29, 2005. This agreement is for the lease of the Business Training Center on the Cherokee Campus. The lease began on the first day of the month after the month in which the facility was ready for occupancy. The first payment was due on January 25, 2007.

Spartanburg Community College has the option to purchase all of its rights, title, and interest at any time during the initial term or any extended term of the lease at a price equal to the sum of (a) the 2003 land appraisal of the value of the land per acre, times the acreage of the leased property, (b) the Spartanburg Community College Foundation's un-financed capital expenditures invested in the facility and other improvements on the property, and (c) the aggregate outstanding balance of all loans incurred by the Foundation to construct the building, access roads, and parking.

The cost of the building is \$2,578,561 and the accumulated depreciation is \$515,712 at June 30, 2015.

The capital lease with the Spartanburg Community College Foundation was \$199,000 for the year ended June 30, 2015.

##### **Future minimum payments to be paid:**

<u>Year Ended June 30</u>	<u>Capital Lease with Discretely Presented Component Units</u>
2016	\$ 199,000
2017	199,000
2018	199,000
2019	199,000
2020	199,000
2021-2026	1,194,000
Total Minimum Payments	<u>\$ 2,189,000</u>
Less: Interest	(453,953)
Present Value of Net Minimum Lease Payment	<u><u>\$ 1,735,047</u></u>

##### **Operating Leases:**

On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is twenty years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred \$825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. During the current year, the College paid a total of \$825,760 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease. No portion of the base rent shall be divided into principal and interest components, and this lease does not contain any reference to any portion of any payments being treated as interest.

**SPARTANBURG COMMUNITY COLLEGE**

Notes To Financial Statements, Continued

June 30, 2015

**NOTE 8 – LEASE OBLIGATIONS**, Continued**Operating Leases:** continuedFuture minimum payments to be paid:

<u>Year Ended June 30</u>	Capital Lease with Discretely Presented Component Units
2016	\$ 859,120
2017	876,304
2018	893,828
2019	911,704
2020-2024	5,113,568
2025-2029	5,975,480
2030-2033	5,458,680
Total Minimum Payments	<u>\$ 20,088,684</u>

Future commitments for copier and postage meter operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2015 were as follows:

<u>Year Ended June 30</u>	Operating Leases with External Parties
2016	\$ 67,563
2017	67,563
2018	22,768
Total Minimum Payments	<u>\$ 157,894</u>

Contingent rentals for copier leases paid on a cost-per-copy basis are as follows:

<u>Year Ended June 30</u>	Operating Leases With External Parties
2015	<u>\$ 51,223</u>

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were \$45,854 for fiscal year 2015. The rental payments for the postage meter were \$22,050, and the College paid \$51,223 for cost-per-copy copiers.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 8 – LEASE OBLIGATIONS**, Continued

**Facilities Leased to Others:**

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. Spartanburg County School District No. 7 will pay Spartanburg Community College \$15.34 per square foot leased, which will be paid in one-time installments of \$83,863.78 on or before the 10<sup>th</sup> day of July each consecutive calendar year of the term beginning on July 1, 2013. The College received \$83,863.78 in lease payments in FY 2014 and \$83,863.78 in FY 2015. Spartanburg County School District No. 7 also paid a deposit of \$6,988.65 as security of the full and faithful performance of every provision of the Sublease.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. For the first term of the sublease, October 1, 2013 – June 30, 2014, SC Works paid Spartanburg Community College \$11.00 per square foot leased (\$108,075 total), which was paid in equal monthly installments of \$12,008.33 on or before the tenth day of each consecutive calendar month of the term. A security deposit of \$12,008.33 was also received by the College as security of the full and faithful performance of every provision of the Sublease.

For the second term of the sublease with SC Works, July 1, 2014 – June 30, 2015, SC Works paid Spartanburg Community College \$12.00 per square foot leased (\$157,200 total), which was paid in equal monthly installments of \$13,100.00 on or before the tenth day of each consecutive calendar month of the term. On June 16, 2015, the third term of the sublease, July 1, 2015 – June 30, 2016, was amended. For the third term, SC Works will pay Spartanburg Community College \$10.00 per square foot leased (\$131,000 total), which will be paid in equal monthly installments of \$10,916.67 on or before the tenth day of each consecutive calendar month of the term.

**Facilities Leased to Others – Component Unit**

***Spartanburg Community College Foundation***

The Foundation has entered into a twenty year lease agreement with Spartanburg Community College that expires in 2027. Under this lease agreement the College pays rent to the Foundation for use of the Cherokee County Campus building and equipment in the amount of \$199,000 per year. At June 30, 2015, the net book value of the leased building and equipment was \$2,136,019, including accumulated depreciation of \$675,487 and current year depreciation expense of \$75,816. Pursuant to the terms of the lease, future minimum rental payments are expected to be \$199,000 per year for each of the next 13 years.

The LLC Partnership entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated Downtown Campus facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between \$206,440 and \$356,440 per calendar quarter over the term of the lease. This lease is pledged as collateral for the debt. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred \$825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership. This payment is reflected as lease income to the SCC Foundation – Downtown Campus, LLC and as lease expense to the College. During the current year the College paid a total of \$825,760 in lease payments to the Downtown Campus, LLC pursuant to the facilities lease.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 8 – LEASE OBLIGATIONS**, Continued

Facilities Leased to Others – Component Unit

***Spartanburg Community College Foundation***

The Foundation has also entered into a twenty year lease agreement with a tenant for 3.45 acres of land located in Cherokee County that expires in 2027. At June 30, 2015, the book value of the leased land was \$103,451. The lease payment is \$1,440 per year. Pursuant to the terms of the lease, future minimum rental payments are expected to be \$1,440 per year for each of the next 13 years. Lease income for the current fiscal year was \$1,440 under this lease.

**NOTE 9 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	June 30, 2014	Addition	Reductions	June 30, 2015	Due Within One Year
Capital Lease Obligations	\$ 1,856,601	-	121,555	1,735,046	126,764
Accrued Compensated Absences	1,464,250	549,825	535,694	1,478,381	82,144
Total Long-Term Liabilities	<u>\$ 3,320,851</u>	<u>549,825</u>	<u>657,249</u>	<u>3,213,427</u>	<u>208,908</u>

Long-Term Liabilities –Component Unit

***Spartanburg Community College Foundation:***

During October 2005, the Foundation was issued an Economic Development Bond by the South Carolina Jobs Economic Development Authority to defray the cost of acquiring, by construction and purchase, a Cherokee County Campus for use by Spartanburg Community college. The bond matures October 1, 2025. Interest and principal on the outstanding balance is payable semi-annually. The bond bears interest at 4.24%. The Economic Development Bond provides for Semi-annual payments of principal and interest in the amount of \$96,468.54 due April 17 and October 17 of each year.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 9 – LONG-TERM LIABILITIES**, Continued

Long-Term Liabilities – Component Unit, continued

***Spartanburg Community College Foundation:***

The long-term debt maturities required in the future and in the aggregate are as follows:

June 30	Jobs Economic Development Authority	Wells Fargo Bank, N.A.	Total
2016	\$ 125,507	675,000	800,507
2017	130,885	650,000	780,885
2018	136,493	500,000	636,493
2019	142,342	500,000	642,342
2020-2024	808,617	5,775,000	6,583,617
2025-2029	277,555	-	277,555
	<u>\$ 1,621,399</u>	<u>8,100,000</u>	<u>9,721,399</u>

The Foundation on December 6, 2012, borrowed \$9,500,000 from Wells Fargo Bank, N.A. at 4.64% per annum. The loan is termed "Senior Loan" and is secured by a security interest in the Foundation Fundraising and Donations Account, which receives and holds all donations collections for the Downtown Campus, along with a lien on the Foundation's Security Interest in the Leverage Loan Note Receivable of \$10,495,500. For the current year the Foundation did not meet the Debt Coverage Ratio requirement of 1.1:1 as provided in the Loan Agreement. However, the donations collected prior to 2015 have a current balance in the bank which will cover the loan payment debt service on a cumulative cash flow basis going forward, therefore ensuring the satisfaction for Wells Fargo to have the confidence in SCCF meeting the loan obligation.

The note provides for quarterly interest payments and annual principal payments as follows:

Year	Payment	Principal	Interest	Loan Repayment	Balance
2016	\$ 1,028,655	675,000	353,655	-	7,425,000
2017	973,157	650,000	323,157	-	6,775,000
2018	797,927	500,000	297,927	-	6,275,000
2019	774,727	500,000	274,727	-	5,775,000
2020	583,096	453,500	129,596	5,321,500	-
	<u>\$ 4,157,562</u>	<u>2,778,500</u>	<u>1,379,062</u>	<u>5,321,500</u>	

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 9 – LONG-TERM LIABILITIES**, Continued

Long-Term Liabilities – Component, continued

***Spartanburg Community College Foundation***

A summary of the outstanding debt at June 30 is as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Economic Development Bond	\$ 1,741,749	-	120,350	1,621,399
Wells Fargo Bank, N.A.	8,750,000	-	650,000	8,100,000
Total	<u>\$ 10,491,749</u>	<u>-</u>	<u>770,350</u>	<u>9,721,399</u>

Interest expense for the year ended June 30, 2015 was \$665,775, none of which was capitalized as project cost during the year.

***SCC Foundation-Downtown Campus, LLC:***

The SCC Foundation-Downtown Campus, LLC has issued and executed, on December 6, 2012, four separate notes with a bank and its subsidiaries (Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDS New Markets Investments LXXII, LLC, a Delaware limited liability company) in the total amount of \$14,640,000, for the renovation and construction of improvements to the Evans property, which is to be the Spartanburg Community College's downtown campus facility.

The notes mature October 2047, and interest and principal are payable quarterly on the outstanding balance. The notes bear interest at .948 percent per annum. The interest paid for the year ended June 30, 2015 of \$138,787 has been reflected as expense in the Statement of Activities.

The notes provide for the payment of interest only beginning January 5, 2013 until January 5, 2020 when the first normal principal payment is due. In addition, two of the loans provide for a Lump-sum principal payment, totaling \$5,321,500 on April 1, 2020.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 9 – LONG-TERM LIABILITIES**, Continued

Long-Term Liabilities – Component Unit, continued

***Spartanburg Community College Foundation***

The debt maturities for the four separate notes are outlined below:

	NDC CDE		Wells Fargo CDE		Total	Issuance
June 30	Loan A	Loan B	Loan A	Loan B	Debt Principal	Costs
2016	\$ -	-	-	-	\$ -	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	93,708	-	-	93,708	-
2020	3,242,428 (1)	35,883	2,161,620	28,748	5,468,679	-
2021-2025	508,421	368,327	338,946	295,088	1,510,782	-
2026-2030	533,070	386,184	355,380	309,394	1,584,028	-
2031-2035	558,914	404,907	372,609	324,394	1,660,824	-
2036-2040	586,011	424,538	390,675	340,121	1,741,345	-
2041-2045	614,425	445,120	409,616	356,613	1,825,774	-
2046-2048	254,031	184,033	169,354	147,442	754,860	-
	<u>\$ 6,297,300</u>	<u>2,342,700</u>	<u>4,198,200</u>	<u>1,801,800</u>	<u>\$ 14,640,000</u>	<u>-</u>
Original Loan Amount	\$ 6,297,300	2,342,700	4,198,200	1,801,800	\$ 14,640,000	
Quarterly Interest	\$ 14,925	5,552	9,950	4,270	\$ 34,697	
Annual Interest	\$ 59,698	22,209	39,799	17,081	\$ 138,787	
(1) Lump-Sum Principal Due 4/1/2020	\$ 3,192,900	-	2,128,600	-	\$ 5,321,500	

These notes are secured by a twenty-year facilities lease for the renovated facilities. See Note 14.

The “B” loans, which represent in essence the new market tax credit portion of the project financing, are to be substantially mitigated, or paid, at the end of the new market tax credit compliance period of approximately 7 years.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 10 – PENSION PLANS**

The majority of employees of Spartanburg Community College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statement No. 25 and Statement No. 50, and is effective for fiscal periods beginning after June 15, 2013. This statement affects the reporting requirements for pension plans that administer benefits. The South Carolina Public Employee Benefit Authority (PEBA) implemented the changes required by this standard in the South Carolina Retirement Systems' financial statements issued for the fiscal year ended June 30, 2014. This statement has no direct impact on the reporting requirements of employers participating in the plans, including the financial statements of the College.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of Statement No. 27, and is effective for fiscal periods beginning after June 15, 2014. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Spartanburg Community College implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. As a result of implementing GASB No. 68 and recording the Net Pension Liability and deferred outflows and inflows of resources, total net assets decreased by \$27,841,642. If GASB No. 68 was not implemented this fiscal year, total net assets would have increased by \$4,069,006.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE10 – PENSION PLANS, Continued**

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018, and a member's participation may not continue after this date.

Effective July 1, 2014, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.9%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.75%, .15% for the incidental death benefit program and a 5.00% surcharge that will fund retiree health and dental insurance coverage. Spartanburg Community College's actual contributions to the SCRS for the years ended June 30, 2015, 2014, and 2013 were approximately \$1,651,530, \$1,657,757, and \$1,636,757, respectively, and equaled the base required retirement contribution rate, excluding retiree insurance surcharge and incidental death benefit program contributions, of 10.75% for 2015, 10.45% for 2014, and 10.45% for 2013. Also, Spartanburg Community College paid employer incidental death benefit program contributions of approximately \$23,045, \$23,732, and \$23,494, at the rate of .15% of compensation for the current fiscal years ended June 30, 2015, 2014, and 2013 respectively.

At June 30, 2015, Spartanburg Community College reported a pension liability of \$31,863,435 for SCRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the College's proportion of SCRS was 0.185073%, which was the same percentage as its proportion on June 30, 2013.

**SPARTANBURG COMMUNITY COLLEGE**

## Notes To Financial Statements, Continued

June 30, 2015

**NOTE 10- PENSION PLANS, Continued**

For the year ended June 30, 2015, Spartanburg Community College recognized pension expense of \$2,233,265 for SCRS. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to those pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,265	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,686,320
Changes in proportion and difference between SCC contributions and proportionate share of contributions	898,611	-
SCC contributions subsequent to the measurement date	1,804,108	-
Total	<u>\$ 2,706,984</u>	<u>2,686,320</u>

\$1,804,108 reported as deferred outflows of resources related to pensions resulting from Spartanburg Community College SCRS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	(392,311)
2017	(392,311)
2018	(606,510)

*Actuarial assumptions:* The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement plan. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 10 – PENSION PLANS, Continued**

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2014, employees participating in the PORS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for PORS was 18.41%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Included in the total PORS employer contribution rate is a base retirement contribution of 13.01%, .20% for the incidental death benefit program, .20% for the accidental death program, and a 5.00% surcharge that will fund retiree health and dental insurance coverage. Spartanburg Community College's actual contributions to the PORS for the years ended June 30, 2015, 2014, and 2013 were approximately \$5,223, \$5,258, and \$5,057, respectively, and equaled the base retirement required contribution rate, excluding surcharge and death program contributions, of 13.01% for 2015, 12.44% for 2014, and 11.90% for 2013. Spartanburg Community College also paid employer incidental death benefit program contributions of approximately \$80, \$85, and \$85, at the rate of .20% of compensation for the current fiscal years ended June 30, 2015, 2014, and 2013 respectively. In addition, Spartanburg Community College paid accidental death program contributions of approximately \$80, \$85, and \$85, at the rate of .20% of compensation for the current fiscal years ended June 30, 2015, 2014, and 2013 respectively.

At June 30, 2015, Spartanburg Community College reported a pension liability of \$67,273 for PORS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the College's proportion of PORS was 0.00351%, which was the same percentage as its proportion on June 30, 2013.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 10 – PENSION PLANS, Continued**

For the year ended June 30, 2015, Spartanburg Community College recognized pension expense of \$5,886 for PORS. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to those pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (41)	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,784
Changes in proportion and difference between SCC contributions and proportionate share of contributions	1,836	-
SCC contributions subsequent to the measurement date	5,384	-
Total	<u>\$ 7,179</u>	<u>7,784</u>

\$5,384 reported as deferred outflows of resources related to pensions resulting from Spartanburg Community College PORS contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	(1,479)
2017	(1,479)
2018	(1,546)

*Actuarial assumptions:* The total pension liability in the June 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%
Projected salary increases	levels off at 4.0%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.90% plus the retiree surcharge of 5.00% from the employer in fiscal year 2015. Of the 10.90% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.75% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 10 – PENSION PLANS, Continued**

For fiscal year 2015, total contributions requirements to the ORP were approximately \$111,776 (excluding the surcharge) from Spartanburg Community College as employer and approximately \$178,842 from its employees as plan members.

The amounts paid by Spartanburg Community College for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined. The surcharge to fund retiree health and dental insurance benefits are not part of the actuarially established rates.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study performed in 2011. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period and the next study is scheduled to be conducted in 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of arithmetic real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Expected Arithmetic Real Rate of Return</u></b>	<b><u>Long-term Expected Real Rate of Return</u></b>
Short Term	5.0%	0.9	0.03
Domestic Fixed Income	13.0%	7.4	0.26
Global Fixed Income	9.0%	4.9	0.27
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	<u>32.0%</u>	35.4	<u>2.39</u>
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.63</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 10– PENSION PLANS, Continued**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employee contributions in SCRS and PORS will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents Spartanburg Community College's proportionate share of the net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the College's proportionate share of the net pension liabilities would be they were calculated using a discount rate that 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Spartanburg Community College proportional share of net pension liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
SCRS	41,233,256	31,863,435	24,046,316
PORS	93,905	67,273	45,097

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. Spartanburg Community College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. Spartanburg Community College paid approximately \$879,930 and \$871,943 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2015 and 2014. Spartanburg Community College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$10,643 and \$10,819 for the years ended June 30, 2015 and 2014, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**NOTE 12 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2015 are summarized as follows:

Accounts Payable, Student Credit Balances	\$ 323,861
Accounts Payable, Unrestricted	<u>200,524</u>
Total Accounts Payable	<u><u>\$ 524,385</u></u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 13 – BONDS AND NOTES PAYABLE**

The College did not have any outstanding bonds or notes payable at June 30, 2015.

**NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT**

The Spartanburg Community College Foundation's temporarily restricted net assets as of June 30, 2015 consisted of the following:

Other Scholarship Funds	\$ 793,636
Scholarship Funds Held by Spartanburg County Foundation	45,609
BMW Scholarship Funds	5,585,716
Other Balances Held for College Support	271,316
Assets Restricted for Long-Term Assets	1,201,544
Total	<u><u>\$ 7,897,821</u></u>

**NOTE 15 – RELATED PARTIES**

A certain separately chartered legal entity whose activities are related to those of the College exists primarily to provide financial assistance and other support to the College and its educational program. Financial statements for that entity are prepared by accountants and retained by the Spartanburg Community College Foundation (the "Foundation").

Management reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2015.

**Related Parties – Component Unit**

***The Spartanburg Community College Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors. All transactions are conducted at arms-length.

On January 13, 2012, the foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner (the LLC Partnership), for the purpose of renovating the Evans building, the new downtown campus project, and to qualify for and obtain new market tax credits amounting to approximately \$5.85 million. These new market tax credits represent 39% of the total project amount of \$15 million. The majority of the tax credits, 77%, will ultimately enhance the project by funding the overall cost and reducing the related debt repayment.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 15 – RELATED PARTIES**, Continued

Related Parties – Component Unit, continued

***The Spartanburg Community College Foundation***

The Evans property had been purchased by Spartanburg Community College in January 2011 and the College maintains ownership. The College entered into a ground lease of this property with and to the LLC Partnership for 55 years at \$1 per year, beginning on November 1, 2012, and ending October 31, 2067.

The LLC Partnership entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between \$206,440 and \$356,440 per calendar quarter over the term of the lease. This lease is pledged as collateral for the debt. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred \$825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership.

On December 6, 2012, the Foundation borrowed \$9,500,000 from Wells Fargo Bank, N.A. at 4.64% per annum which the Foundation then loaned to the SCC Investment Fund, LLC \$10,495,500 at 1.0% per annum. Wells Fargo Community Investment Holdings, LLC then made a capital contribution to the SCC Investment Fund, LLC in the amount of \$4,504,500 which represented 77% of the New Market Tax Credits. These amounts were transferred 40% to the Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC and 60% to the NDC New Markets Investments LXXII, LLC who each in turn made loans to the SCC Foundation – Downtown Campus, LLC, after a sub-allocation fee of \$360,000. These loans totaled \$14,640,000, and are reflected in note 8 to these financial statements.

The SCC originally contracted for the renovation project with a construction contractor and project engineer/supervisor. These contracts were subsequently assigned to the LLC partnership. Up to this point, the College had expended \$1,550,222 in initial payments for the project, and was subsequently reimbursed out of initial loan draws, resulting in this cost and related debt being reflected on the books of the LLC Partnership. Subsequent to these assignments, on December 6, 2012, SCC Foundation-Downtown Campus, LLC, assigned to Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDC New Markets Investments LXXII, LLC, a Delaware limited liability company all of its right, title and interest, in and to the architectural agreements and plans and specifications in connection with project and its rights under all construction agreements relating to the acquisition, renovation, development and construction of additional improvements to the property and the project.

The College recorded non-governmental gifts receipts of \$610,939 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2015. These funds were used to support College programs such as scholarships and to fund equipment and faculty and staff development. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. Additionally, the Foundation paid the College a total of \$10,000 for administrative services during the year.

The College paid the Foundation, LLC Partnership \$825,760 for renovation and construction expenses and to reduce future lease payments, per the agreement outlined above.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 15 – RELATED PARTIES,** Continued

Related Parties – Component Unit, continued

***The Spartanburg Community College Foundation***

As referenced in Note 8, the College also leases a building located in Cherokee County from the Foundation. Lease expense from the College to the Foundation was \$199,000 for the year ended June 30, 2015.

The consolidated Foundation's assets including the SCC Foundation – Downtown Campus, LLC, as of June 30, 2015, were \$30,271,349.

Related party receivables and payables as of June 30, 2015, are as follows:

Due to the Foundation	\$	-
Due from the Foundation	\$	-

**NOTE 16 – RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 16 – RISK MANAGEMENT**, Continued

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College is insured through the State's blanket fidelity bond insurance policy for all employees for losses arising from theft or misappropriation.

**NOTE 17 – OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

	Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 9,916,964	3,237,647	-	-	2,626,282	-	15,780,893
Academic Support	2,156,014	758,566	-	-	1,442,668	-	4,357,248
Student Support	2,240,415	801,597	-	-	954,300	-	3,996,312
Operation & Maintenance of Plant	1,401,396	494,132	-	1,031,489	2,509,891	-	5,436,908
Institutional Support	3,515,126	1,301,239	-	-	2,784,354	-	7,600,719
Scholarships & Fellowships	-	-	6,038,342	-	-	-	6,038,342
Auxiliary Enterprises	177,199	71,533	-	-	2,623,808	-	2,872,540
Depreciation	-	-	-	-	-	1,834,773	1,834,773
Total Operating Expenses	<u>\$ 19,407,114</u>	<u>6,664,714</u>	<u>6,038,342</u>	<u>1,031,489</u>	<u>12,941,303</u>	<u>1,834,773</u>	<u>47,917,735</u>

**NOTE 18 – STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)**

The College incurred expenditures of \$27,942 during Fiscal Year 2015 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the U.S. Department of Education (Statewide Longitudinal Data Systems Grant). ARRA funds were expended primarily for funding technology updates.

The schedules below list the individual funds and expenses and the expenses by functional classification.

<u>Funds</u>	<u>Funds Used Through June 30, 2015</u>
ARRA Statewide Longitudinal Systems Grant	<u>\$ 27,942</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 18 – STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS), Continued**

Please note that all expenses are *included* in the schedule presented in NOTE 17.

	Compensation	Benefits	Scholarships	Utilities	Supplies and Other Services	Capitalized	Total
Instruction	\$ -	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	27,942	-	27,942
Operation & Maintenance of Plant	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,942</u>	<u>-</u>	<u>27,942</u>

**NOTE 19 – PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS**

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year ended June 30, 2015. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	Purchases
Aiken Technical College	\$ 1,300
Clemson University	2,137
Francis Marion University	120
Greenville Technical College	243
Tri-County Technical College	141
University of South Carolina	475
Total Purchases	<u>\$ 4,416</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 20 – STATEMENT OF ACTIVITIES**

	2015	2014	Increase/ (Decrease)
Charges for Services	\$ 21,357,282	21,658,936	(301,654)
Operating Grants and Contributions	19,381,570	18,985,788	395,782
Capital Grants and Contributions	2,042,653	2,076,653	(34,000)
Less: Expenses	<u>(47,993,835)</u>	<u>(47,557,083)</u>	<u>(436,752)</u>
Net Program Revenue (Expense)	<u>(5,212,330)</u>	<u>(4,835,706)</u>	<u>(376,624)</u>
Transfers:			
State Appropriations	6,694,861	6,381,826	313,035
State Capital Appropriations	2,156,816	1,746,816	410,000
Capital Improvement Bond Proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenue and Transfers	<u>8,851,677</u>	<u>8,128,642</u>	<u>723,035</u>
Change in Net Assets	3,639,348	3,292,936	346,412
Net Assets - Beginning of Year	56,179,168	52,886,232	3,292,936
Cumulative Effect of Accounting Changes	<u>(31,480,990)</u>	<u>-</u>	<u>(31,480,990)</u>
Beginning of Year Restated	<u>24,698,178</u>	<u>52,886,232</u>	<u>(28,188,054)</u>
Net Assets - Ending	<u><u>\$ 28,337,526</u></u>	<u><u>56,179,168</u></u>	<u><u>(27,841,642)</u></u>

**NOTE 21 – TRANSACTIONS WITH OTHER AGENCIES**

The College had significant transactions with the State of South Carolina and various agencies.

Several services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

**NOTE 22 – SUBSEQUENT EVENTS**

Management has, through September 10, 2015, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2015, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

**SPARTANBURG COMMUNITY COLLEGE**  
**June 30, 2015**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Proportionate Share of the Net Pension Liability**  
**South Carolina Retirement System**

	<b>FY 2015</b>	<b>FY 2014</b>
College's proportion of the net pension liability	0.185%	0.185%
College's proportionate share of the net pension liability	\$ 31,863,435	\$ 33,195,494
College's covered-employee payroll	\$ 17,558,450	\$ 17,680,152
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.47%	187.76%
Plan fiduciary net position as a percentage of the total pension liability	59.92%	56.39%

**Schedule of Proportionate Share of the Net Pension Liability**  
**Police Officer's Retirement System**

	<b>FY 2015</b>	<b>FY 2014</b>
College's proportion of the net pension liability	0.004%	0.004%
College's proportionate share of the net pension liability	\$ 67,273	\$ 72,844
College's covered-employee payroll	\$ 40,147	\$ 42,268
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.57%	172.34%
Plan fiduciary net position as a percentage of the total pension liability	67.55%	62.98%

**SPARTANBURG COMMUNITY COLLEGE**  
**June 30, 2015**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of College Contributions  
South Carolina Retirement System**

	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>
Contractually required contribution	\$ 1,804,108	\$ 1,786,145
Contribution in relation to the contractually required contribution	<u>\$ (1,804,108)</u>	<u>\$ (1,786,145)</u>
Contribution deficiency (excess)	\$ -	
 College's covered-employee payroll	 \$ 17,558,450	 \$ 17,680,152
Contributions as a portion of covered employee payroll	10.27%	10.10%

**Schedule of College Contributions  
Police Officer's Retirement System**

	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>
Contractually required contribution	\$ 5,384	\$ 5,427
Contribution in relation to the contractually required contribution	<u>\$ (5,384)</u>	<u>\$ (5,427)</u>
Contribution deficiency (excess)	\$ -	
 College's covered-employee payroll	 \$ 40,147	 \$ 42,268
Contributions as a portion of covered employee payroll	13.41%	12.84%